



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code	1311	1311	NAIC Company Code	95844	Employer's ID Number	38-2242827
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []	
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]	
	Hospital, Medical & Dental Service or Indemnity []		Is HMO, Federally Qualified? Yes [X]		No []	
Incorporated/Organized	06/27/1978		Commenced Business	02/08/1979		
Statutory Home Office	2850 West Grand Boulevard			Detroit, MI 48202		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	2850 West Grand Boulevard					
	Detroit, MI 48202			313-872-8100		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	2850 West Grand Boulevard			Detroit, MI 48202		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	2850 West Grand Boulevard					
	Detroit, MI 48202			248-443-1093		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.hap.org					
Statutory Statement Contact	Dianna Ronan CPA			248-443-1093		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	dronan@hap.org			248-443-8610		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	2850 West Grand Boulevard					
	Detroit, MI 48202			313-872-8100		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Francine Parker	President and CEO	Maurice E. McMurray	Secretary
Ronald W. Berry	Treasurer	Colleen McClorey #	Assistant Secretary

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Nicholas C. Anderson	Donald W. Boggs	Mary Beth Bolton M.D.	Herman W. Coleman
William A. Conway M.D. #	Dennis H. DePaulis	Mary C. Dickson	John T. Gargaro
Jethro Joseph	Francine Parker	William L. Peirce	Carol Quigley IHM
Catherine A. Roberts	Robin Scales-Wooten	Nancy Schlichting	Gerald K. Smith
Rebecca R. Smith M.D.	Daniel Watson		

State ofMichigan.....

ss

County ofWayne.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Francine Parker
President and CEO

Maurice E. McMurray
Secretary

Ronald W. Berry
Treasurer

Subscribed and sworn to before me this
28th day of February, 2006

Roderick I Curry CPA
Notary
August 14 2006

- a. Is this an original filing? Yes [X] No []
- b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	.0		.0	.0
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks	125,317,749		125,317,749	169,819,134
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	3,410,393	2,497,782	.912,611	.943,411
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$ (11,913,956) , Schedule E, Part 1), cash equivalents (\$116,930,831 , Schedule E, Part 2) and short-term investments (\$13,000,000 , Schedule DA).....	118,016,875		118,016,875	163,765,513
6. Contract loans, (including \$premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.59,351,008	.0	.59,351,008	.0
8. Receivables for securities .....			.0	.0
9. Aggregate write-ins for invested assets .....	.750,674	.0	.750,674	.467,102
10. Subtotals, cash and invested assets (Lines 1 to 9)	306,846,700	2,497,782	304,348,917	334,995,159
11. Title plants less \$charged off (for Title Insurers only) .....			.0	
12. Investment income due and accrued .....	.847,935		.847,935	.782,432
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	.32,257,158		.32,257,158	.13,655,985
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			.0	.0
13.3 Accrued retrospective premium.....			.0	.0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			.0	.0
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....			.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
16.2 Net deferred tax asset.....			.0	.0
17. Guaranty funds receivable or on deposit .....			.0	.0
18. Electronic data processing equipment and software.....	.15,471,187	.13,832,321	.1,638,866	.1,054,764
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	.2,038,803	.2,038,803	.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates .....	.1,013,328		.1,013,328	.1,433,585
22. Health care (\$6,815,684) and other amounts receivable.....	.6,815,684		.6,815,684	.2,418,873
23. Aggregate write-ins for other than invested assets .....	.17,287,278	.16,499,278	.788,000	.1,744,379
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	382,578,074	34,868,185	347,709,889	356,085,177
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	382,578,074	34,868,185	347,709,889	356,085,177
DETAILS OF WRITE-INS				
0901. Rabbi Trust.....	.750,674		.750,674	.467,102
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	750,674	0	750,674	467,102
2301. Other Receivables.....	.302,252		.302,252	.128,119
2302. Deferred Compensation.....	.407,904		.407,904	.228,141
2303. Intangible Asset.....	.2,791,827	.2,791,827	.0	.0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	.13,785,294	.13,707,451	.77,843	.1,388,119
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	17,287,278	16,499,278	788,000	1,744,379

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
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LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	79,977,343	870,081	80,847,424	98,301,462
2. Accrued medical incentive pool and bonus amounts	2,796,505		2,796,505	3,027,572
3. Unpaid claims adjustment expenses	1,101,625		1,101,625	1,236,892
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	19,402,712		19,402,712	17,449,507
9. General expenses due or accrued	11,557,321		11,557,321	13,260,124
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	221,118		221,118	556,368
16. Payable for securities	382,853		382,853	536,216
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	10,627,022	0	10,627,022	5,229,317
22. Total liabilities (Lines 1 to 21)	126,066,498	870,081	126,936,579	139,597,457
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX		0
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	220,773,309	216,487,720
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	220,773,309	216,487,720
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	347,709,889	356,085,177
DETAILS OF WRITE-INS				
2101. Pension Liability - Long Term	9,149,641		9,149,641	3,982,265
2102. Retiree Health Benefits	1,069,477		1,069,477	1,018,911
2103. Deferred Compensation	407,904		407,904	228,141
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	10,627,022	0	10,627,022	5,229,317
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

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STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,446,041	5,561,745
2. Net premium income (including \$0 non-health premium income).....	XXX	1,507,239,774	1,442,031,879
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,507,239,774	1,442,031,879
Hospital and Medical:			
9. Hospital/medical benefits		560,403,244	539,352,617
10. Other professional services			0
11. Outside referrals		19,576,655	23,053,621
12. Emergency room and out-of-area		112,633,738	113,346,969
13. Prescription drugs		271,010,242	251,168,591
14. Aggregate write-ins for other hospital and medical.....	0	409,274,433	371,122,133
15. Incentive pool, withhold adjustments and bonus amounts.....		458,383	2,015,630
16. Subtotal (Lines 9 to 15)	0	1,373,356,695	1,300,059,561
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	1,373,356,695	1,300,059,561
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$8,187,755 cost containment expenses.....		17,408,413	20,687,340
21. General administrative expenses.....		96,030,520	99,711,083
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	1,486,795,628	1,420,457,984
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	20,444,146	21,573,895
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		9,403,016	8,080,540
26. Net realized capital gains (losses) less capital gains tax of \$		3,796,229	1,607,993
27. Net investment gains (losses) (Lines 25 plus 26)	0	13,199,245	9,688,533
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	569,742	699,604
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	34,213,133	31,962,032
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	34,213,133	31,962,032
DETAILS OF WRITE-INS			
0601.	XXX		0
0602.	XXX		0
0603.	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Outpatient.....		208,001,954	240,690,781
1402. Radiology/Lab.....		95,164,293	29,914,818
1403. Ambulance.....		6,593,526	6,106,466
1498. Summary of remaining write-ins for Line 14 from overflow page	0	99,514,660	94,410,068
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	409,274,433	371,122,133
2901. Gain/(Loss) on the Sale of Assets.....		(29,709)	(13,240)
2902. Miscellaneous Revenue.....		599,451	712,844
2903.			0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	569,742	699,604

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
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CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	216,487,720	192,819,741
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	34,213,133	31,962,032
35. Change in valuation basis of aggregate policy and claim reserves	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(3,684,723)	7,268,863
37. Change in net unrealized foreign exchange capital gain or (loss)	0	0
38. Change in net deferred income tax	0	0
39. Change in nonadmitted assets	3,757,180	11,849,018
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles	0	0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0
44.3 Transferred to surplus	0	0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46. Dividends to stockholders	(30,000,000)	(29,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	1,588,066
48. Net change in capital & surplus (Lines 34 to 47)	4,285,589	23,667,979
49. Capital and surplus end of reporting period (Line 33 plus 48)	220,773,309	216,487,720
DETAILS OF WRITE-INS		
4701. Minimum Pension Liability and Intangible Adjustment.....		1,588,066
4702.		0
4703.		0
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	1,588,066

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CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,490,591,806	1,435,214,629
2. Net investment income	8,839,795	8,795,442
3. Miscellaneous income	425,318	1,122,021
4. Total (Lines 1 to 3)	1,499,856,919	1,445,132,092
5. Benefits and loss related payments	1,391,041,799	1,282,365,005
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions	100,687,541	108,703,060
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	1,491,729,341	1,391,068,065
11. Net cash from operations (Line 4 minus Line 10)	8,127,578	54,064,028
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	5,407,130
12.2 Stocks	129,871,774	13,038,380
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	88,347	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	129,960,121	18,445,510
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	0
13.2 Stocks	101,610,884	14,522,666
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	58,153,058	0
13.6 Miscellaneous applications	436,936	79,832
13.7 Total investments acquired (Lines 13.1 to 13.6)	160,200,878	14,602,498
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(30,240,757)	3,843,012
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	30,000,000	29,000,000
16.6 Other cash provided (applied).....	6,364,540	(8,997,562)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(23,635,460)	(37,997,562)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(45,748,639)	19,909,478
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	163,765,513	143,856,036
19.2 End of period (Line 18 plus Line 19.1)	118,016,875	163,765,513

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	1,507,239,774	1,156,064,502	107,163,013	0	0	80,990,119	163,022,140	0	0	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$ medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,507,239,774	1,156,064,502	107,163,013	0	0	80,990,119	163,022,140	0	0	0	0	0	0
8. Hospital/medical/ benefits	560,403,244	437,890,218	21,606,600			28,584,860	72,321,566						XXX
9. Other professional services	0												XXX
10. Outside referrals	19,576,655	15,300,386	754,170			997,743	2,524,356						XXX
11. Emergency room and out-of-area	112,633,738	88,030,343	4,339,096			5,740,488	14,523,811						XXX
12. Prescription Drugs	271,010,242	191,520,098	53,158,018			16,876,566	9,455,560						XXX
13. Aggregate write-ins for other hospital and medical	409,274,433	319,873,685	15,766,865	0	0	20,859,069	52,774,814	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	458,383	458,383											XXX
15. Subtotal (Lines 8 to 14)	1,373,356,695	1,053,073,113	95,624,749	0	0	73,058,726	151,600,107	0	0	0	0	0	XXX
16. Net reinsurance recoveries	0	0											XXX
17. Total medical and hospital (Lines 15 minus 16)	1,373,356,695	1,053,073,113	95,624,749	0	0	73,058,726	151,600,107	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 8,187,755 cost containment expenses	17,408,413	13,348,558	1,212,121			926,079	1,921,655						
20. General administrative expenses	96,030,520	75,247,589	5,572,692			4,211,648	10,998,591						XXX
21. Increase in reserves for accident and health contracts	0												
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	1,486,795,628	1,141,669,260	102,409,562	0	0	78,196,453	164,520,353	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	20,444,146	14,395,242	4,753,451	0	0	2,793,666	(1,498,213)	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Outpatient Hospital	208,001,954	162,566,596	8,013,055			10,601,022	26,821,281						XXX
1302. Radiology/Lab	95,164,293	74,376,874	3,666,104			4,850,141	12,271,174						XXX
1303. Ambulance	6,593,526	5,153,255	254,009			336,045	850,217						XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	99,514,660	77,776,960	3,833,697	0	0	5,071,861	12,832,142	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	409,274,433	319,873,685	15,766,865	0	0	20,859,069	52,774,814	0	0	0	0	0	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,156,064,502			1,156,064,502
2. Medicare Supplement	107,163,013			107,163,013
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan	80,990,119			80,990,119
6. Title XVIII - Medicare	163,022,140			163,022,140
7. Title XIX - Medicaid.....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11)	1,507,239,774	.0	.0	1,507,239,774
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	1,507,239,774	0	0	1,507,239,774

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non- Health
1. Payments during the year:													
1.1 Direct	1,390,352,350	1,069,512,435	95,812,483			72,600,419	152,346,791	80,222					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	1,390,352,350	1,069,512,435	95,812,483	0	0	72,600,419	152,346,791	80,222	0	0	0	0	0
2. Paid medical incentive pools and bonuses	689,450	689,450											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	2,796,505	2,796,505											
6. Net healthcare receivables (a)	0												
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	98,301,462	89,116,746	4,388,804	0	0	3,859,006	856,684	80,222	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	98,301,462	89,116,746	4,388,804	0	0	3,859,006	856,684	80,222	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	3,027,572	3,027,572	0	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	1,372,898,312	1,052,614,730	95,624,749	0	0	73,058,726	151,600,107	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,372,898,312	1,052,614,730	95,624,749	0	0	73,058,726	151,600,107	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	458,384	458,384	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	14,194,925	12,587,699	936,581			646,122	24,523						
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	14,194,925	12,587,699	936,581	0	0	646,122	24,523	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	49,476,931	43,874,884	3,264,489			2,252,081	85,477						
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	49,476,931	43,874,884	3,264,489	0	0	2,252,081	85,477	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	17,175,568	15,756,458				1,419,110							
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	17,175,568	15,756,458	0	0	0	1,419,110	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	70,953,745	998,558,689	9,354,591	62,864,450	80,308,336	89,116,746
2. Medicare Supplement	3,698,744	92,113,739	399,030	3,802,040	4,097,774	4,388,804
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan Premiums	4,199,877	68,400,542	658,208	3,659,105	4,858,085	3,859,006
6. Title XVIII - Medicare	848,627	151,498,165	2,213	107,787	850,840	856,684
7. Title XIX - Medicaid.....	80,222				80,222	80,222
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	79,781,215	1,310,571,135	10,414,042	70,433,382	90,195,257	98,301,462
10. Healthcare receivables (a).....					.0	
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts	689,450		2,338,122	458,383	3,027,572	3,027,572
13. Totals (Lines 9 - 10 + 11 + 12)	80,470,665	1,310,571,135	12,752,164	70,891,765	93,222,829	101,329,034

(a) Excludes \$loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	52,343	51,944	0	0	
2. 2001	687,139	732,883	733,503	733,503	
3. 2002	XXX	849,013	909,240	908,903	
4. 2003	XXX	XXX	919,893	978,803	987,185
5. 2004	XXX	XXX	XXX	956,838	1,019,410
6. 2005	XXX	XXX	XXX	XXX	998,559

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	53,491	52,021			
2. 2001	741,734	737,184	733,957		
3. 2002	XXX	924,668	914,925	910,099	
4. 2003	XXX	XXX	986,929	982,978	986,992
5. 2004	XXX	XXX	XXX	1,043,612	1,031,295
6. 2005	XXX	XXX	XXX	XXX	1,061,882

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	811,624	733,503	2,478	0.3	735,981	90.7			735,981	90.7
2. 2002.....	1,005,989	908,903	7,602	0.8	916,505	91.1			916,505	91.1
3. 2003.....	1,082,638	987,185	16,012	1.6	1,003,197	92.7	(193)	.8	1,003,012	92.6
4. 2004.....	1,138,040	1,019,410	15,176	1.5	1,034,585	90.9	11,885	.58	1,046,528	92.0
5. 2005	1,156,065	998,559	7,919	0.8	1,006,478	87.1	63,323	919	1,070,719	92.6

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	1,893	1,887	.0	.0	
2. 2001	43,919	45,952	45,987	45,987	
3. 2002	XXX	59,723	63,123	63,103	
4. 2003	XXX	XXX	69,496	72,996	73,433
5. 2004	XXX	XXX	XXX	76,678	79,940
6. 2005	XXX	XXX	XXX	XXX	92,114

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	2,046	1,894			
2. 2001	46,442	46,288	46,012		
3. 2002	XXX	63,548	63,400	63,175	
4. 2003	XXX	XXX	73,599	73,303	73,414
5. 2004	XXX	XXX	XXX	80,688	80,358
6. 2005	XXX	XXX	XXX	XXX	95,916

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	52,557	45,987	166	0.4	46,153	87.8			46,153	87.8
2. 2002.....	72,916	63,103	536	0.8	63,639	87.3			63,639	87.3
3. 2003.....	82,949	73,433	1,220	1.7	74,653	90.0	(19)	.0	74,634	90.0
4. 2004.....	92,365	79,940	1,249	1.6	81,189	87.9	418	.2	81,609	88.4
5. 2005	107,163	92,114	723	0.8	92,837	86.6	3,802	55	96,694	90.2

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	2,625	2,618	.0	.0	
2. 2001	37,752	40,572	40,604	40,604	
3. 2002	XXX	54,234	57,366	57,347	
4. 2003	XXX	XXX	56,940	60,383	60,879
5. 2004	XXX	XXX	XXX	62,673	66,377
6. 2005	XXX	XXX	XXX	XXX	68,401

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	2,685	2,623			
2. 2001	40,312	40,878	40,628		
3. 2002	XXX	58,194	57,645	57,416	
4. 2003	XXX	XXX	60,674	60,584	60,878
5. 2004	XXX	XXX	XXX	66,261	67,036
6. 2005	XXX	XXX	XXX	XXX	72,060

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	39,156	40,604	158	0.4	40,762	104.1			40,762	104.1
2. 2002.....	68,057	57,347	508	0.9	57,855	85.0	.0		57,855	85.0
3. 2003.....	66,369	60,879	1,001	1.6	61,880	93.2	(1)	.0	61,879	93.2
4. 2004.....	73,075	66,377	999	1.5	67,377	92.2	659	.3	68,038	93.1
5. 2005	80,990	68,401	551	0.8	68,951	85.1	3,659	55	72,666	89.7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	11,473	11,304	.0	.0	
2. 2001	204,897	211,423	211,399	211,399	
3. 2002	XXX	129,850	127,437	127,439	
4. 2003	XXX	XXX	119,576	119,257	119,357
5. 2004	XXX	XXX	XXX	121,057	121,806
6. 2005	XXX	XXX	XXX	XXX	151,498

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	11,654	11,329			
2. 2001	211,537	212,635	211,376		
3. 2002	XXX	126,232	126,949	127,433	
4. 2003	XXX	XXX	119,766	119,268	119,344
5. 2004	XXX	XXX	XXX	121,910	121,821
6. 2005	XXX	XXX	XXX	XXX	151,606

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	230,126	211,399	.418	.0.2	211,817	.92.0			211,817	.92.0
2. 2002.....	144,023	127,439	.916	.0.7	128,355	.89.1	.0		128,355	.89.1
3. 2003.....	130,664	119,357	1,959	.1.6	121,316	.92.8	(13)	.0	121,303	.92.8
4. 2004.....	138,552	121,806	1,935	.1.6	123,740	.89.3	.16	.0	123,756	.89.3
5. 2005	163,022	151,498	1,153	0.8	152,651	93.6	108	1	152,760	93.7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	(624)	(613)	.0	.0	
2. 2001 .....	.0	(304)	(307)	(307)	
3. 2002	XXX	(1)	(218)	(218)	
4. 2003	XXX	XXX	.0	(41)	(31)
5. 2004	XXX	XXX	XXX	.0	.71
6. 2005	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	(616)	(613)			
2. 2001	(312)	(300)	(307)		
3. 2002	XXX	(38)	(178)	(218)	
4. 2003	XXX	XXX		39	(32)
5. 2004	XXX	XXX	XXX		.72
6. 2005	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	.0	(307)	.0	.0	(307)	.0			(307)	.0
2. 2002.....	.0	(218)	(1)	.5	(219)	.0			(219)	.0
3. 2003.....	.0	(31)	(1)	2.6	(32)	.0	(1)		(33)	.0
4. 2004.....	.0	.71		.0	.71	.0	.1		.72	.0
5. 2005		0		0.0	0	0.0			0	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	67,710	67,140	0	0	0
2. 2001	973,707	1,030,526	1,031,186	1,031,186	0
3. 2002	XXX	1,092,819	1,156,948	1,156,574	0
4. 2003	XXX	XXX	1,165,905	1,231,398	1,240,823
5. 2004	XXX	XXX	XXX	1,217,247	1,287,604
6. 2005	XXX	XXX	XXX	XXX	1,310,571

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	69,260	67,254	0	0	0
2. 2001	1,039,714	1,036,685	1,031,666	0	0
3. 2002	XXX	1,172,605	1,162,742	1,157,904	0
4. 2003	XXX	XXX	1,240,968	1,236,173	1,240,595
5. 2004	XXX	XXX	XXX	1,312,471	1,300,583
6. 2005	XXX	XXX	XXX	XXX	1,381,463

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001	1,133,463	1,031,186	3,220	0.3	1,034,406	91.3	0	0	1,034,406	91.3
2. 2002	1,290,985	1,156,574	9,560	0.8	1,166,134	90.3	0	0	1,166,134	90.3
3. 2003	1,362,620	1,240,823	20,191	1.6	1,261,014	92.5	(227)	8	1,260,795	92.5
4. 2004	1,442,032	1,287,604	19,358	1.5	1,306,962	90.6	12,979	62	1,320,004	91.5
5. 2005	1,507,240	1,310,571	10,345	0.8	1,320,917	87.6	70,892	1,031	1,392,839	92.4

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves .....	.0											
2. Additional policy reserves (a) .....	.0											
3. Reserve for future contingent benefits .....	.0											
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0											
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net) (Page 3, Line 4)	0	0			0	0	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims .....	.0											
10. Reserve for future contingent benefits .....	.0											
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	119,224	217,914	1,722,123		2,059,261
2. Salaries, wages and other benefits.....	2,799,164	4,436,309	46,869,095		54,104,568
3. Commissions (less \$ceded plus \$ Assumed.....			8,339,079		8,339,079
4. Legal fees and expenses.....			500,064		500,064
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	154,323		5,046,475		5,200,798
7. Traveling expenses.....	26,546	7,180	594,323		628,049
8. Marketing and advertising.....	58,052	12,459	12,549,585		12,620,096
9. Postage, express and telephone.....	7,337	453	2,723,976		2,731,766
10. Printing and office supplies.....	2,492	11,888	197,909		212,289
11. Occupancy, depreciation and amortization.....	61,687	144,469	2,966,625	788,580	3,961,361
12. Equipment.....	0	395	176,393		176,788
13. Cost or depreciation of EDP equipment and software.....	455,404	2,593,318	8,035,553		11,084,275
14. Outsourced services including EDP, claims, and other services.....	273,022	601,973	5,667,538		6,542,533
15. Boards, bureaus and association fees.....	10,592		309,620		320,212
16. Insurance, except on real estate.....			334,101		334,101
17. Collection and bank service charges.....			454,677		454,677
18. Group service and administration fees.....					0
19. Reimbursements by uninsured accident and health plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....			55,805		55,805
22. Real estate taxes.....			4,169		4,169
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			4,556		4,556
23.3 Regulatory authority licenses and fees.....			220,725		220,725
23.4 Payroll taxes.....	167,239	252,760	2,757,281		3,177,280
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	4,052,673	941,540	(3,499,153)	0	1,495,060
26. Total expenses incurred (Lines 1 to 25).....	8,187,755	9,220,658	96,030,520	788,580	(a) 114,227,513
27. Less expenses unpaid December 31, current year.....		1,101,625	11,557,321		12,658,946
28. Add expenses unpaid December 31, prior year.....	0	1,236,892	13,260,124	0	14,497,016
29. Amounts receivable relating to uninsured accident and health plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured accident and health plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	8,187,755	9,355,925	97,733,323	788,580	116,065,583
DETAIL OF WRITE-INS					
2501. Miscellaneous.....	4,052,673	941,540	(3,499,153)		1,495,060
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	4,052,673	941,540	(3,499,153)	0	1,495,060

(a) Includes management fees of \$638,004 to affiliates and \$to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....	.....
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....5,013,386	.....4,860,027
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....	.....
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....1,286,297	.....1,286,297
9.	Aggregate write-ins for investment income .....	.....10,538	.....12,988
10.	Total gross investment income .....	.....10,891,247	.....10,918,628
11.	Investment expenses .....	.....	(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g)
13.	Interest expense .....	.....	(h)
14.	Depreciation on real estate and other invested assets .....	.....	(i)
15.	Aggregate write-ins for deductions from investment income .....	.....	.....0
16.	Total (Lines 11 through 15) .....	.....	.....1,515,612
17.	Net Investment Income - (Line 10 minus Line 16) .....	.....	.....9,403,016
DETAILS OF WRITE-INS			
0901.	Rabbi Trust .....	.....10,538	.....12,988
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....10,538	.....12,988
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		.....0

(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....				.....0
1.1	Bonds exempt from U.S. tax .....				.....0
1.2	Other bonds (unaffiliated) .....				.....0
1.3	Bonds of affiliates .....0	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....				.....0
2.11	Preferred stocks of affiliates .....0	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....3,796,229	.....(5,846,404)	.....(2,050,175)		
2.21	Common stocks of affiliates .....0	.....(34,883,004)	.....(34,883,004)		
3.	Mortgage loans .....				.....0
4.	Real estate .....				.....0
5.	Contract loans .....				.....0
6.	Cash, cash equivalents and short-term investments .....				.....0
7.	Derivative instruments .....				.....0
8.	Other invested assets .....981	.....1,285,316	.....1,286,297		
9.	Aggregate write-ins for capital gains (losses) .....0	.....0	.....0		
10.	Total capital gains (losses) .....3,797,210	.....0	.....(39,444,092)	.....(35,646,882)	
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....0	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)00000

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
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EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	17,805,335	17,805,335
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	2,497,782	2,947,496	449,714
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E, Part 1), cash equivalents (Schedule E, Part 2) and short -term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,497,782	20,752,831	18,255,048
11. Title plants (for Title insurers only).....	0		0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	13,832,321	15,242,206	1,409,884
19. Furniture and equipment, including health care delivery assets.....	2,038,803	2,425,255	386,451
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	16,499,278	205,074	(16,294,204)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	34,868,185	38,625,365	3,757,180
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	34,868,185	38,625,365	3,757,180
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses.....	1,324,227	205,074	(1,119,153)
2302. Intangible Assets.....	2,791,827	0	(2,791,827)
2303. Goodwil.....	12,383,224	0	(12,383,224)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	16,499,278	205,074	(16,294,204)

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	460,919	456,268	454,356	451,427	449,656	5,446,041
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	460,919	456,268	454,356	451,427	449,656	5,446,041
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan (the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual (NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that the accounting practices, procedures and reporting standards are not modified by the Michigan Insurance Code or the Forms and Instructions for Required Filings in Michigan. The Office of Financial and Insurance Services of the State of Michigan has adopted Codification as of January 1, 2003 with modifications. The Forms and Instructions for Required Filings in Michigan deviate from the *NAPPM* as it relates to SSAPs 16 – Electronic Data Processing Equipment and Software, 19 – Furniture and Equipment, and 84 – Certain Health Care Receivables and Receivables Under Government Insured Plans. The Commissioner is providing a transition period (a prescribed practice) for these statutory accounting principles through 2005 for SSAPs 16 and 19 and until January 1, 2004 for SSAP 84; however, Health Alliance Plan has elected to fully adopt and apply these SSAPs during 2003.
- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.
- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
 - (2) Bonds are recorded at amortized cost, which approximates market value.
 - (3) Common Stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
 - (4) The Corporation owns no preferred stocks.
 - (5) The Corporation owns no mortgage loans.
 - (6) The Corporation owns no loan-backed securities.
 - (7) The Corporation's subsidiaries are included in the statement of admitted assets, liabilities, and net worth - statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to net worth.
 - (8) Investments in limited liability companies are carried on the equity basis at market value.
 - (9) The Corporation does not hold any derivative financial instruments.
 - (10) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

- A. Material changes in accounting principles and/or correction of errors - The Corporation has none to report.

3. BUSINESS COMBINATIONS AND GOODWILL

- A. Statutory Purchase Method
- (1) In March 2001, the Corporation and an unrelated entity acquired SelectCare, Inc. under a joint Purchase Agreement. Under the terms of the Purchase Agreement, the Corporation purchased the health maintenance organization operations of SelectCare, Inc. for an initial purchase price of \$37,627,000.
 - (2) As a result of this transaction, which has been accounted for as a purchase, the Corporation has recorded goodwill of \$24,892,000 and \$27,663,000 in 2005 and 2004, respectively.
 - (3) The goodwill amortization recorded in 2005 was \$2,651,000.
 - (4) SelectCare Inc. was dissolved on 12/21/05.

NOTES TO FINANCIAL STATEMENTS

4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

5. INVESTMENTS

- A. The Corporation has no investments in mortgage loans.
- B. The Corporation has no debt restructurings.
- C. The Corporation has no reverse mortgages.
- D. The Corporation has no loan-backed securities.
- E. The Corporation has no repurchase agreements.
- F. The Corporation has no real estate investments.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Corporation has a minor ownership interest in Western Assets US Core Plus, L.L.C. and Western Assets US Limited Duration, L.L.C., limited liability companies which are portfolios that invest assets in investment grade debt and fixed income securities. The Corporation utilizes the equity method to account for its investments and its share of the portfolio's undistributed earnings are included in investment income. The fair value of the Corporation's investment as of December 31, 2005 is \$59,351,008.
- B. The Corporation did not recognize any impairment write down for its investment in either of the investment portfolios during the statement period.

7. INVESTMENT INCOME

The Corporation had no excluded investment income.

8. DERIVATIVE INSTRUMENTS

The Corporation does not hold any derivative instruments.

9. INCOME TAXES

- A-F. The Corporation is an entity described under Internal Revenue Code Section 501(c)(4) and as such is exempt from federal income taxes.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. The Corporation has two wholly owned subsidiaries, Preferred Health Plan, Inc.(PHP) and Alliance Health and Life Insurance Company(AHLIC) and owns a majority interest in SelectCare, Inc. The Corporation is a subsidiary of Henry Ford Health System(HFHS).
- B-C. The Corporation received subscription revenue from related parties totaling approximately \$91,256,000 and \$82,295,000 in 2005 and 2004, respectively. The Corporation purchased healthcare services from related parties totaling approximately \$774,671,000 and \$742,592,000 in 2005 and 2004, respectively.
- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$439,000 and \$574,000 for PHP and AHLIC, respectively and, intercompany payables of \$30,000 and \$152,000 for PHP and AHLIC, respectively. The Corporation also has an intercompany payable to HFHS of \$39,000. The terms of the settlement require that these amounts be settled within 15 days.

NOTES TO FINANCIAL STATEMENTS

- E. The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated Group). As of December 31, 2005, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$339,872,772 issued under the master indenture. The Obligated Group has guaranteed \$31,370,000 in indebtedness of other entities. Such amounts approximate the fair value of the obligations.
- F. The Corporation has management agreements with PHP and AHLIC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to PHP totaled \$1,934,000 and \$1,715,000 in 2005 and 2004, respectively. Services provided by the Corporation to AHLIC totaled \$6,292,000 and \$6,292,000 in 2005 and 2004, respectively.

11 . DEBT

The Corporation has no capital notes or debt.

12 . RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A. The Corporation has a noncontributory defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974. The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

A summary of the changes in benefit obligations for the plans is as follows (dollars in thousands):

	2005	2004
Benefit obligation at beginning of year	\$40,541	\$36,941
Other		
Service cost	4,212	3,660
Interest cost	2,409	2,174
Amendments		
Other	93	(1,489)
Actuarial gain	1,009	698
Benefits paid	(2,076)	(1,443)
Benefit obligation at end of year	\$46,188	\$40,541
Benefit Obligation for non-vested employees	<u>\$995</u>	<u>\$1,320</u>

The following table sets forth the change in plan assets and the funded status at December 31 for the plan (dollars in thousands):

	2005	2004
Fair value of plan assets at beginning of year	\$25,398	\$18,788
Other		
Actual return on assets	2,147	1,295
Employer contribution	1,332	6,758
Benefits paid	(2,076)	(1,443)
Fair value of plan assets at end of year	\$26,801	\$25,398
Funded status	\$(19,387)	\$(15,143)
Other		(6)
Unrecognized transition obligation	10,854	11,457
Unrecognized prior service cost	93	
Unrecognized deferred (gain)loss	2,082	1,098
Additional minimum pension liability	<u>2,781</u>	<u>(1,388)</u>
Prepaid(Accrued) benefit cost	<u>\$(3,577)</u>	<u>\$(3,982)</u>

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NOTES TO FINANCIAL STATEMENTS

A summary of the components of net periodic benefit cost are as follows(dollars in thousands):

	2005	2004
Service cost	\$4,212	\$3,660
Interest cost	2,409	2,174
Expected return on assets	(2,123)	(1,695)
Net amortization and deferral	603	603
Net periodic benefit cost	\$5,101	\$4,742

The assumptions used in the accounting for the plan were:

	2005	2004
Discount rate	6.05%	6.05%
Expected rate of return	8.5%	8.5%
Rate of increase in salary levels	4.0%	4.0%

- B. The Corporation does not provide a defined contribution plan.
- C. The Corporation provides postretirement healthcare benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of fixed dollar subsidy.

A summary of the changes in the accumulated postretirement benefit obligation is as follows (dollars in thousands):

	2005	2004
Accumulated postretirement benefit obligation at beginning of year	\$692	\$940
Service cost	111	100
Interest cost	40	38
Other	(35)	(338)
Actuarial gain	(62)	0
Benefits paid	(90)	(48)
Accumulated postretirement benefit obligation at end of year	\$656	\$692

The components of the net periodic postretirement benefit cost and the reconciliation of the unfunded status as of December 31 are as follows (dollars in thousands):

	2005	2004
Service cost	\$111	\$100
Interest cost	38	38
Other		
Net amortization and deferral	(14)	(14)
Net periodic postretirement benefit cost	\$135	\$124

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

NOTES TO FINANCIAL STATEMENTS

Unfunded status	\$ (656)	\$ (692)
Unrecognized net transition obligation (asset)	(250)	(264)
Unrecognized prior service cost	(19)	17
Other		3
Unrecognized net gain	<u>(144)</u>	<u>(83)</u>
Accrued postretirement benefit cost	<u>\$ (1,069)</u>	<u>\$ (1,019)</u>

Significant assumptions used in valuing the obligations at December 31, 2005 and 2004 include:

	<u>2005</u>	<u>2004</u>
Medical inflation rate	8.00% scaled to 5.0% over 3 years	6.25% scaled to 5.0% over 3 years
Pharmaceutical inflation rate	12.0% scaled to 5.0% over 3 years	7.92% scaled to 5.0% over 3 years

The discount rate used in valuing the obligations at December 31, 2005 and 2004 was 5.95% and 6.05% respectively.

A 1% increase in the assumed medical rate of inflation would decrease the accumulated postretirement benefit obligation by .1% and decrease the net periodic cost by .4%. A 1% decrease in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation by .2% and increase the net periodic cost by .4%.

13 . CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

- A. The Corporation has no common stock.
- B. The Corporation has no preferred stock.
- C. The Corporation has no restrictions on unassigned funds (surplus).
- D. The Corporation holds 1,500,000 shares of AHLIC stock with a par value of \$1,500,000 and 50,000 shares of Preferred Health Plan with a par value of \$50,000.
- E. The Corporation has no surplus notes outstanding.
- F. The Corporation has no quasi-reorganization to report.

14 . CONTINGENCIES

- A. The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

15 . LEASES

A. The Corporation has a capital lease agreement for its headquarters building. Net book value of the building at December 31, 2005 was \$2,639,000. The capital lease obligation requires payments in future years as follows (dollars in thousands):

2006	\$60
2007	60
2008	60
2009	60
2010	60
Later years	825
Total minimum lease payments	1,125
Less interest at an average annual interest rate of 8.25%	555
Present value of obligations under capitalized lease, including \$12 due within one year	\$570

B. The Corporation has a capital lease on 8 Xerox printers with a net book value of \$98,600 at December 31, 2005. The capital lease obligation requires payments in future years as follows (dollars in thousands):

2006	\$41
2007	41
2008	27
Total minimum lease payments	109
Less interest at an average annual interest rate of 3.92%	5
Present value of obligations under capitalized lease, including \$37 due within one year	\$104

C. The Corporation has operating leases for office facilities and equipment. These leases, in some instances, are renewable at the option of the Corporation.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2005 (dollars in thousands):

2006	\$1,593
2007	1,593
2008	1,593
2009	1,593
2010	1,593
Later years	4,344
Total minimum payments required	\$12,309

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,171,000 and \$1,178,000 for the years ended December 31, 2005 and 2004, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

16 . INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK
AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

A. The Corporation does not hold any financial instruments with off-balance sheet risk.

NOTES TO FINANCIAL STATEMENTS

17 . SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A-B. The Corporation has not transferred any receivables or financial assets.

C. The Corporation does not have any wash sales.

18 . GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Corporation has no gains or losses from uninsured accident and health plans.

19 . DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ THIRD PARTY ADMINISTRATORS

The Corporation does not have any managing general agents or third party administrators.

20 . SEPTEMBER 11 EVENTS

The Corporation has no losses, contingencies, and insurance or reinsurance recoveries to report as a result of the September 11 events.

21 . OTHER ITEMS

A-D. The Corporation has no extraordinary items, troubled debt restructuring and other disclosures to report.

22 . EVENTS SUBSEQUENT

The Corporation does not have any to report.

23 . REINSURANCE

Not applicable.

24 . RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

Not applicable.

25 . CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The Corporation has not made a change in the provision for incurred claims and claim adjustment expenses attributable to insured events of prior years.

26 . INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

27 . STRUCTURED SETTLEMENTS

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

NOTES TO FINANCIAL STATEMENTS

28 . HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 days after Billing
12/31/2005	1,627	1,892			
09/30/2005	1,071	1,166	1,071		
06/30/2005	1,225	1,086	986	239	
03/31/2005	1,289	1,154	962	22	305
12/31/2004	923	1,129	927	9	416
09/30/2004	878	1,096	1,049	28	1
06/30/2004	876	1,352	1,221	12	
03/31/2004	924	1,223	1,139	113	
12/31/2003	942	1,304	943	114	117
9/30/2003	943	1,289	976	132	127
6/30/2003	953	1,196	971	17	6
3/31/2003	961	1,032	759	185	134

B. The Corporation has no risk sharing receivables to report.

29 . PARTICIPATING POLICIES

Not applicable.

30 . PREMIUM DEFICIENCY RESERVES

Not applicable.

31 . ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.000		0.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	98,614,773	32.138	98,614,773	32.402
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	26,702,976	8.702	26,702,976	8.774
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company	3,410,393	1.111	912,611	0.300
5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	118,016,875	38.461	118,016,875	38.777
9. Other invested assets	60,101,683	19.587	60,101,683	19.748
10. Total invested assets	306,846,700	100.000	304,348,917	100.000

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/11/2004
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Services
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte and Touche LLP Suite 900 600 Renaissance Center Detroit Michigan 48243-1895
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

David O Thoen FSA MAAA Deloitte and Touche LLP 400 One Financial Plaza 120 s Sixth Street Minneapolis MN 55402-1844
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?

Not applicable
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA [X]

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
14.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
15.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

- 16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11

To directors or other officers

\$

16.12

To stockholders not officers

\$

16.13

Trustees, supreme or grand (Fraternal only)

\$
- 16.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21

To directors or other officers

\$

16.22

To stockholders not officers

\$

16.23

Trustees, supreme or grand (Fraternal only)

\$
- 17.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 17.2

If yes, state the amount thereof at December 31 of the current year:

17.21

Rented from others

\$

17.22

Borrowed from others

\$

17.23

Leased from others

\$

17.24

Other

\$
- 18.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 18.2

If answer is yes,

18.21

Amount paid as losses or risk adjustment

\$

18.22

Amount paid as expenses

\$

18.23

Other amounts paid

\$
- 19.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []
- 19.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$434,589

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES
INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21

Loaned to others

\$

21.22

Subject to repurchase agreements

\$

21.23

Subject to reverse repurchase agreements

\$

21.24

Subject to dollar repurchase agreements

\$

21.25

Subject to reverse dollar repurchase agreements

\$

21.26

Pledged as collateral

\$

21.27

Placed under option agreements

\$

21.28

Letter stock or other securities restricted as to sale ...

\$

21.29

Other

\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year. \$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

¹ Name of Custodian(s)	² Custodian's Address
Comerica Bank NA.....	Detroit MI.....
The Northern Trust Company.....	Chicago IL.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

¹ Name(s)	² Location(s)	² Complete Explanation(s)
Not applicable.....		

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

¹ Old Custodian	² New Custodian	³ Date of Change	⁴ Reason
Not applicable.....			

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

¹ Central Registration Depository Number(s)	² Name	² Address
107247.....	Joe Wich.....	Detroit MI.....
70923.....	Calvin Johnson.....	Chicago IL.....
Not applicable.....	Brian Gamble.....	Detroit MI.....
7691.....	Susan Renaud.....	Detroit MI.....
110441.....	Sandy Goodman.....	Pasadena CA.....
126292.....	Joe Gasky.....	Charlotte NC.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []

25.2 If yes, complete the following schedule:

¹ CUSIP #	² Name of Mutual Fund	³ Book/Adjusted Carrying Value
25.2001. 000000-00-0.....	JPMorgan Core Bond Trust.....	98,614,772
25.2999 TOTAL		98,614,772

25.3 For each mutual fund listed in the table above, complete the following schedule:

¹ Name of Mutual Fund (from above table)	² Name of Significant Holding Of the Mutual Fund	³ Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	⁴ Date of Valuation
JPMorgan Core Bond Trust.....	Mortgage Backed Securities.....	54,336,739	12/31/2005.....
	Treasury Securities.....	20,709,102	12/31/2005.....
	Corporate Securities.....	11,439,314	12/31/2005.....
	Cash Equivalents.....	8,973,944	12/31/2005.....
	Asset Backed Securities.....	1,676,451	12/31/2005.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	13,000,000	13,000,000	0
26.2 Preferred stocks.....	0		0
26.3 Totals	13,000,000	13,000,000	0

26.4 Describe the sources or methods utilized in determining fair values:
The fair values were obtained from the securities managers whom utilize values obtained from nationally recognized securities ratings organizations.....
27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []
27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$638,893
28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
America's Health Insurance Plans.....	249,212

29.1 Amount of payments for legal expenses, if any?.....\$500,064
29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dykema Gossett PLLC.....	276,499

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$
30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []

1.2

If yes, indicate premium earned on U. S. business only

\$ 107,163,013

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 95,624,749

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 11,716,885

1.62

Total incurred claims

\$ 10,317,020

1.63

Number of covered lives

\$ 2,842

All years prior to most current three years:

1.64

Total premium earned

\$ 30,745,560

1.65

Total incurred claims

\$ 27,840,278

1.66

Number of covered lives

\$ 14,043

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 270,760,012

1.72

Total incurred claims

\$ 238,543,663

1.73

Number of covered lives

\$ 65,256

All years prior to most current three years:

1.74

Total premium earned

\$ 380,952,463

1.75

Total incurred claims

\$ 341,442,968

1.76

Number of covered lives

\$ 183,619

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ 1,507,208,774

\$ 1,442,031,879

2.2

Premium Denominator

\$ 1,507,239,774

\$ 1,442,031,879

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

\$ 83,643,929

\$ 101,329,034

2.5

Reserve Denominator

\$ 83,643,929

\$ 101,329,034

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [X] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2

If no, explain:
See footnote 12(C)-Other Disclosures for an explanation of Stop Loss/Out-of-Network reserve

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
See Attachment D

7.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [X] No []

7.2

If no, give details:

8.

Provide the following Information regarding participating providers:

8.1

Number of providers at start of reporting year

7,331

8.2

Number of providers at end of reporting year

7,370

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

28

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses \$.....

10.22 Amount actually paid for year bonuses \$.....

10.23 Maximum amount payable withholds \$.....16,309,590

10.24 Amount actually paid for year withholds \$.....8,312,889

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [] No []

11.13 An Individual Practice Association (IPA), or, Yes [X] No []

11.14 A Mixed Model (combination of above) ? Yes [] No []

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.Michigan

11.4 If yes, show the amount required. \$.....60,289,591

11.5 Is this amount included as part of a contingency reserve in stockholders equity? Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

The amount reported is four percent of Subscription Revenue

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Genessee County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Monroe County.....
Oakland County.....
St Clair County.....
Washtenaw County.....
Wayne County.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Health Alliance Plan of Michigan					
FIVE-YEAR HISTORICAL DATA					
	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	347,709,889	356,085,177	330,340,120	352,053,748	330,904,396
2. Total liabilities (Page 3, Line 22)	126,936,579	139,597,457	137,520,379	171,739,439	153,072,159
3. Statutory surplus	1,000,000	1,000,000	1,000,000	1,350,000	1,350,000
4. Total capital and surplus (Page 3, Line 31)	220,773,309	216,487,720	192,819,741	180,314,309	177,832,237
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	1,507,239,774	1,442,031,879	1,362,620,115	1,290,985,128	1,133,463,303
6. Total medical and hospital expenses (Line 18)	1,373,356,695	1,300,059,561	1,228,269,590	1,169,485,054	1,038,010,305
7. Claims adjustment expenses (Line 20)	17,408,413	20,687,340	13,422,973	11,299,019	11,762,783
8. Total administrative expenses (Line 21)	96,030,520	99,711,083	99,198,596	95,865,819	70,288,095
9. Net underwriting gain (loss) (Line 24)	20,444,146	21,573,895	21,728,956	14,335,236	13,402,120
10. Net investment gain (loss) (Line 27)	13,199,245	9,688,533	8,980,415	12,336,747	12,766,899
11. Total other income (Lines 28 plus 29)	569,742	699,604	159,132	(2,239)	(4,635)
12. Net income (loss) (Line 32)	34,213,133	31,962,032	30,868,503	26,669,744	26,164,384
RISK - BASED CAPITAL ANALYSIS					
13. Total adjusted capital.....	221,043,306	216,487,720	192,819,741	180,314,309	177,832,237
14. Authorized control level risk-based capital.....	42,249,380	38,476,482	37,080,302	35,139,964	30,062,900
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	449,656	460,919	471,150	485,154	462,085
16. Total member months (Column 6, Line 7)	5,446,041	5,561,745	5,667,942	5,929,370	5,438,922
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	91.1	90.2	90.1	90.6	91.6
19. Cost containment expenses	0.5	0.5	XXX	XXX	XXX
20. Other claims adjustment expenses	0.6	0.9	1.0	0.9	1.0
21. Total underwriting deductions (Line 23)	98.6	98.5	98.4	98.9	98.8
22. Total underwriting gain (loss) (Line 24)	1.4	1.5	1.6	1.1	1.2
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	93,222,829	73,521,974	71,195,582	64,435,206	69,259,579
24. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)]	101,329,034	83,634,477	86,058,929	67,555,292	70,963,205
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	26,702,976	40,893,294	30,407,247	17,381,567	6,845,457
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate		0	0	0	0
30. All other affiliated		0	0	0	0
31. Total of above Lines 25 to 30	26,702,976	40,893,294	30,407,247	17,381,567	6,845,457

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
Health Alliance Plan of Michigan

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	0	0	0	0
	2. Canada				
	3. Other Countries				
	4. Totals	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	0	0	0	0
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	98,614,773	98,614,773	101,074,980	
	50. Canada				
	51. Other Countries				
	52. Totals	98,614,773	98,614,773	101,074,980	
Parent, Subsidiaries and Affiliates	53. Totals	26,702,976	26,702,976	25,550,000	
	54. Total Common Stocks	125,317,749	125,317,749	126,624,980	
	55. Total Stocks	125,317,749	125,317,749	126,624,980	
	56. Total Bonds and Stocks	125,317,749	125,317,749	126,624,980	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	190,511,820	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3	101,610,884	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	(506,291)	9. Book/adjusted carrying value at end of current period	125,317,749
4.4 Columns 11 - 13, Part 4	(40,223,118)	10. Total valuation allowance	
5. Total gain (loss), Col. 19, Part 4	3,796,229	11. Subtotal (Lines 9 plus 10)	125,317,749
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts	
Column 7, Part 4	129,871,774	13. Statement value of bonds and stocks, current period	125,317,749

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
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SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, Etc.	1	2	Direct Business Only					
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	3	4	5	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty Premiums
			Premiums	Medicare Title XVIII	Medicaid Title XIX			
1. Alabama.....AL	No	No						
2. Alaska.....AK	No	No						
3. Arizona.....AZ	No	No						
4. Arkansas.....AR	No	No						
5. California.....CA	No	No						
6. Colorado.....CO	No	No						
7. Connecticut.....CT	No	No						
8. Delaware.....DE	No	No						
9. District of Columbia.....DC	No	No						
10. Florida.....FL	No	No						
11. Georgia.....GA	No	No						
12. Hawaii.....HI	No	No						
13. Idaho.....ID	No	No						
14. Illinois.....IL	No	No						
15. Indiana.....IN	No	No						
16. Iowa.....IA	No	No						
17. Kansas.....KS	No	No						
18. Kentucky.....KY	No	No						
19. Louisiana.....LA	No	No						
20. Maine.....ME	No	No						
21. Maryland.....MD	No	No						
22. Massachusetts.....MA	No	No						
23. Michigan.....MI	No	Yes	1,257,706,031	163,022,140		80,990,119		
24. Minnesota.....MN	No	No						
25. Mississippi.....MS	No	No						
26. Missouri.....MO	No	No						
27. Montana.....MT	No	No						
28. Nebraska.....NE	No	No						
29. Nevada.....NV	No	No						
30. New Hampshire.....NH	No	No						
31. New Jersey.....NJ	No	No						
32. New Mexico.....NM	No	No						
33. New York.....NY	No	No						
34. North Carolina.....NC	No	No						
35. North Dakota.....ND	No	No						
36. Ohio.....OH	No	No						
37. Oklahoma.....OK	No	No						
38. Oregon.....OR	No	No						
39. Pennsylvania.....PA	No	No						
40. Rhode Island.....RI	No	No						
41. South Carolina.....SC	No	No						
42. South Dakota.....SD	No	No						
43. Tennessee.....TN	No	No						
44. Texas.....TX	No	No						
45. Utah.....UT	No	No						
46. Vermont.....VT	No	No						
47. Virginia.....VA	No	No						
48. Washington.....WA	No	No						
49. West Virginia.....WV	No	No						
50. Wisconsin.....WI	No	No						
51. Wyoming.....WY	No	No						
52. American Samoa.....AS	No	No						
53. Guam.....GU	No	No						
54. Puerto Rico.....PR	No	No						
55. U.S. Virgin Islands.....VI	No	No						
56. Canada.....CN	No	No						
57. Aggregate other alien.....OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal.....	XXX	XXX	1,257,706,031	163,022,140	0	80,990,119	0	0
59. Reporting entity contributions for Employee Benefit Plans.....	XXX	XXX	5,521,484					
60. Total (Direct Business).....	XXX	(a) 1	1,263,227,515	163,022,140	0	80,990,119	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page.....	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above).....	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated based upon the resident state of the subscriber.
(a) Insert the number of yes responses except for Canada and other Alien.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE
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SCHEDULE T – PART 2
INTERSTATE COMPACT PRODUCTS – EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories		Direct Business Only					
		1	2	3	4	5	6
States, Etc.		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	Totals
1. Alabama	AL .....						.0
2. Alaska	AK .....						.0
3. Arizona	AZ .....						.0
4. Arkansas	AR .....						.0
5. California	CA .....						.0
6. Colorado	CO .....						.0
7. Connecticut	CT .....						.0
8. Delaware	DE .....						.0
9. District of Columbia	DC .....						.0
10. Florida	FL .....						.0
11. Georgia	GA .....						.0
12. Hawaii	HI .....						.0
13. Idaho	ID .....						.0
14. Illinois	IL .....						.0
15. Indiana	IN .....						.0
16. Iowa	IA .....						.0
17. Kansas	KS .....						.0
18. Kentucky	KY .....						.0
19. Louisiana	LA .....						.0
20. Maine	ME .....						.0
21. Maryland	MD .....						.0
22. Massachusetts	MA .....						.0
23. Michigan	MI .....						.0
24. Minnesota	MN .....						.0
25. Mississippi	MS .....						.0
26. Missouri	MO .....						.0
27. Montana	MT .....						.0
28. Nebraska	NE .....						.0
29. Nevada	NV .....						.0
30. New Hampshire	NH .....						.0
31. New Jersey	NJ .....						.0
32. New Mexico	NM .....						.0
33. New York	NY .....						.0
34. North Carolina	NC .....						.0
35. North Dakota	ND .....						.0
36. Ohio	OH .....						.0
37. Oklahoma	OK .....						.0
38. Oregon	OR .....						.0
39. Pennsylvania	PA .....						.0
40. Rhode Island	RI .....						.0
41. South Carolina	SC .....						.0
42. South Dakota	SD .....						.0
43. Tennessee	TN .....						.0
44. Texas .....	.TX .....						.0
45. Utah	UT .....						.0
46. Vermont	VT .....						.0
47. Virginia	VA .....						.0
48. Washington	WA .....						.0
49. West Virginia	WV .....						.0
50. Wisconsin	WI .....						.0
51. Wyoming	WY .....						.0
52. American Samoa	AS .....						.0
53. Guam	GU .....						.0
54. Puerto Rico	PR .....						.0
55. U.S. Virgin Islands .....	.VI .....						.0
56. Canada	CN .....						.0
57. Other Alien .....	.OT .....						.0
58. Totals		0	0	0	0	0	0

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY
GROUP**

PART 1 - ORGANIZATIONAL CHART